Consolidated Financial Statements
of

BC TRANSPORTATION FINANCING AUTHORITY

Year ended March 31, 2012

BC TRANSPORTATION FINANCING AUTHORITY
For the year ended March 31, 2012

Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements of BC Transportation Financing Authority have been prepared by management in accordance with Canadian public sector accounting standards established by the Canadian Public Sector Accounting Board.

The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Director. The Director reviews the external audited consolidated financial statements on an annual basis.

The external auditors, the Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of BC Transportation Financing Authority and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of BC Transportation Financing Authority

Grant Main
Chief Executive Officer

Nancy Bain
Executive Financial Officer
and Corporate Secretary

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of BC Transportation Financing Authority, and
To the Minister of Transportation and Infrastructure, Province of British Columbia

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of BC Transportation Financing Authority ("the entity"), which comprise the consolidated statements of financial position as at March 31, 2012, the consolidated statements of operations, statements of change in net debt, and statements of cash flow for the year ended March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

In my view, the audit evidence I have obtained in my audits is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

Note 2(i) describes the accounting policy for capital project contributions from the federal and provincial governments and other outside agencies. The policy is to record these types of

transfers as deferred capital contributions and recognize as revenue in the statement of operations on the same basis as the related assets are amortized. In this respect, the financial statements are not in accordance with Canadian public sector accounting standards which require that contributions be recognized as revenue in the period that it is authorized by the transferring entity except when stipulations imposed by the transferring entity give rise to an obligation that meets the definition of a liability. For those transfers where stipulations have been imposed, the standards require that revenue be recognized as the liability is settled rather than recognized on the same basis as the related assets are amortized. If capital contributions had been properly recognized, deferred capital contributions as at March 31, 2012, would have been reduced by $1,723 million. Further, amortization of deferred capital contributions on the statement of operations would have been increased by $1,723 million and the annual deficit would have been reported as a surplus of $1,572 million.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of BC Transportation Financing Authority as at March 31, 2012, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Victoria, British Columbia
July 16, 2012

John Doyle, MAcc, CA
Auditor General

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Financial Position

As at March 31	Note	2012 ($ 000s)	2011 ($ 000s)
Financial assets			
Cash and cash equivalents	3	49,635	82,195
Due from provincial government / provincial government organizations	4	56,886	58,303
Accounts receivable	5	4,670	4,808
Investment in government business enterprise	6	141,847	147,099
Other financial assets	7	55	885
Sinking funds	8	1,032,900	797,296
		1,285,993	1,090,586
Liabilities			
Due to provincial government / provincial government organizations	9	195,025	118,767
Accounts payable and accrued liabilities	10	129,914	102,851
Debt	11/12	6,390,621	5,723,000
Public-private partnership obligations	13	890,095	837,562
Deferred capital contributions	14	2,606,322	2,582,539
Deferred revenue	15	189,107	180,791
		10,401,084	9,545,510
Net debt		(9,115,091)	(8,454,924)
Non-financial assets			
Tangible capital assets	16	10,140,932	9,656,883
Other non-financial assets	17	54,956	48,730
		10,195,888	9,705,613
Accumulated surplus	18	1,080,797	1,250,689
Contractual obligations	19		
Contingent liabilities	20		

The accompanying notes and schedule are an integral part of these consolidated financial statements.

On behalf of BC Transportation Financing Authority:

Director

June 20/2012
Date

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Operations

For the year ended March 31	Note	2012 Budget (Note 27) ($ 000s)	2012 Actual ($ 000s)	2011 Actual ($ 000s)
Revenues				
Operating revenues				
Dedicated taxes	21	447,000	425,837	439,715
Amortization of deferred capital contributions		137,552	131,844	135,889
Other operating revenues	22	80,634	107,387	56,095
Total operating revenues		665,186	665,068	631,699
Interest revenue		35,857	57,226	38,477
Earnings from government business enterprise		18,094	13,581	13,612
		719,137	735,875	683,788
Expenses				
Operating expenses				
Grant programs	23	106,360	90,887	63,322
Inland ferries operations		9,100	9,093	9,099
Interior and rural side roads programs		33,522	35,031	31,773
Public-private partnership operating expenses		13,938	11,710	10,418
Asset disposal and write down	24	5,000	40,013	34,706
Amortization of tangible capital assets		445,335	394,546	386,543
Other operating expenses	25	55,487	20,246	21,077
Total operating expenses		668,742	601,526	556,938
Debt servicing costs	26	314,594	291,285	262,609
		983,336	892,811	819,547
Deficit from operations		(264,199)	(156,936)	(135,759)
Unrealized gain/loss due to remeasurement				
Unrealized loss on equity investments		-	(23)	(14)
Amortization of unrealized foreign exchange gain		-	5,900	3,231
		-	5,877	3,217
Deficit for the year		(264,199)	(151,059)	(132,542)
Accumulated surplus at beginning of year			1,252,691	1,249,744
Net changes in investment in government business enterprise			(15,000)	135,489
Accumulated surplus before other comprehensive income			1,086,632	1,252,691
Accumulated other comprehensive income from government business enterprise			(5,835)	(2,002)
Accumulated surplus at end of year			1,080,797	1,250,689

The accompanying notes and schedule are an integral part of these consolidated financial statements.

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Change in Net Debt

For the year ended March 31	2012 Budget (Note 27) ($ 000s)	2012 Actual ($ 000s)	2011 Actual ($ 000s)
Deficit for the year	(264,199)	(151,059)	(132,542)
Change in tangible capital assets			
Acquisition of tangible capital assets	(985,535)	(920,788)	(1,085,780)
Amortization of tangible capital assets	445,335	394,546	386,543
Asset disposal and write down	5,000	40,013	34,706
Costs of properties sold	-	2,987	5,445
Change in properties held for sale	-	(807)	822
	(535,200)	(484,049)	(658,264)
Change in other non-financial assets	-	(6,226)	(4,427)
Change in investment in government business enterprise	(33,000)	(15,000)	135,089
Other comprehensive loss from government business enterprise	-	(3,833)	(1,602)
(Increase) in net debt	(832,399)	(660,167)	(661,746)
Net debt at beginning of year	(8,808,814)	(8,454,924)	(7,793,178)
Net debt at end of year	(9,641,213)	(9,115,091)	(8,454,924)

The accompanying notes and schedule are an integral part of these consolidated financial statements.

BC TRANSPORTATION FINANCING AUTHORITY

Consolidated Statement of Cash Flow

For the year ended March 31	2012 ($ 000s)	2011 ($ 000s)
Operating transactions		
Deficit for the year	(151,059)	(132,542)
Amortization of fixed assets	394,546	386,543
Amortization of deferred capital contributions	(131,844)	(135,889)
Asset disposal and write down	40,013	34,706
Earnings from government business enterprise	(13,581)	(13,612)
Costs of properties sold	2,987	5,445
Change in other non-financial assets	(6,226)	(4,427)
Change in operating working capital:		
Due from provincial government / provincial government organizations	1,417	1,909
Accounts receivable	138	429
Due to provincial government / provincial government organizations	76,258	(30,938)
Accounts payable	27,063	9,150
	239,712	120,774
Financing transactions		
Change in long-term debt	667,621	675,176
Change in public-private partnership obligations	52,533	38,108
Change in deferred capital contributions	155,627	328,633
Change in deferred revenue	8,316	70,022
Change in obligation under capital lease	-	(2,857)
	884,097	1,109,082
Investing transactions		
Change in sinking fund balance	(235,604)	(165,905)
Change in equity investment	23	14
	(235,581)	(165,891)
Capital transactions		
Addition to tangible capital assets	(920,788)	(1,085,780)
	(920,788)	(1,085,780)
(Decrease) in cash and cash equivalents	(32,560)	(21,815)
Cash and cash equivalents at beginning of year	82,195	104,010
Cash and cash equivalents at end of year	49,635	82,195

Supplemental disclosure of cash flow information	($ 000s)	($ 000s)
Interest paid	289,382	260,058

The accompanying notes and schedule are an integral part of these consolidated financial statements.

1. Nature of operations:

BC Transportation Financing Authority (BCTFA) was established in 1993 as a Crown corporation, a separate legal entity of the Province of British Columbia (the "Province"), by the enactment of the *Build BC Act*. On December 31, 2004, the *Build BC Act* was repealed and the *Transportation Act* became the legislative authority of BCTFA. BCTFA is governed by the Board of Directors who may exercise the rights, powers and advantages conferred on them under the *Act*. However, the Board is constrained in the use and disposal of transportation infrastructure assets.

BCTFA's mandate is to acquire, construct, hold and improve transportation infrastructure and is obligated to take full responsibility for providing services to the general public by holding and improving the infrastructure over their useful lives.

BCTFA is exempt from federal and provincial corporate income taxes.

2. Significant accounting policies:

a) Basis of accounting:

These consolidated financial statements are prepared by management in accordance with Canadian public sector accounting (PSA) standards established by the Canadian Public Sector Accounting Board.

b) Basis of consolidation:

British Columbia Railway Company (BCRC), a wholly-owned subsidiary of BCTFA and a government business enterprise, is consolidated using the modified equity basis of consolidation. Under the modified equity method, net operating income, other comprehensive income and changes in equity of government business enterprises are consolidated. Inter-organizational transactions and balances are not eliminated.

To satisfy disclosure requirement under the International Accounting Standards, BCRC performed actuarial valuations of its employee benefit obligations at March 31, 2011 and 2012 and recorded the actuarial gains or losses as other comprehensive income during the year of occurrence.

c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short-term highly liquid investments that are readily convertible to cash within a day's notice and are subject to insignificant risk of change in market value. These short-term investments are held for the purpose of meeting short-term cash commitments rather than for investing.

d) Equity investments:

Investments in equity securities traded in an active exchange are measured at the lower of cost or market value at year-end. The last bid price of the securities quoted in the exchange at year-end (or the last trading day if the year-end falls on a public holiday) is used to value the assets.

2. Significant accounting policies (continued):

e) Properties held for sale:

Surplus properties that are not anticipated to be used for future highway purposes are available for sale. These properties are classified as other financial assets when all of the following criteria are met:

i) prior to the date of the financial statements, the management, with appropriate authority, commits the entity to selling the assets;
ii) the asset is in a condition to be sold;
iii) the asset is publicly seen to be for sale:
iv) there is an active market for the asset;
v) there is a plan in place for selling the asset; and
vi) it is reasonably anticipated that the sale to a purchaser external to the government reporting entity will be completed within one year of the financial statement date.

f) Sinking funds:

Sinking funds are used to retire the related long-term debt at maturity and are recorded at cost. The British Columbia Investment Management Corporation manages BCTFA's sinking fund portfolios. These portfolios consist of investments in Canadian provincial government and Crown corporation bonds.

g) Bond premiums, discounts and issued costs:

Bond premiums, discounts and issued costs are deferred and amortized using the effective interest rate method over the term of the related debt.

h) Capitalization of public-private partnership projects:

Public-private partnership projects are delivered by private sector partners selected to design, build, finance and operate these assets. The cost of these assets include the costs incurred by the private sector partners, as well as owner's costs incurred by BCTFA. The private sector partner's costs are estimated at fair value, which requires the extraction of capital cost information from the financial model embedded in the concession agreement. These costs are capitalized as tangible capital assets as construction progresses and an equal obligation is recorded as a liability. These assets will be amortized over their estimated useful lives and the corresponding obligations will be paid down over the term of the agreements.

i) Deferred capital contributions:

BCTFA defers all restricted monetary and non-monetary capital contributions from governments and partners and amortizes the contributions into revenue on the same basis as the related depreciable assets are amortized. Funds received for acquisition of land or for operating purposes are recognized as revenue in the period when authorized and all eligibility criteria are met.

j) Deferred revenue:

Deferred revenue is the unamortized portion of payments received in advance for services to be performed in future periods. These advanced payments will be recognized as revenue over the term of the related service agreement on a straight line basis.

2. Significant accounting policies (continued):

k) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes direct project expenditures, overhead expenses directly attributable to the project, and related financing charges during the acquisition, design, construction, development, improvement or betterment of the assets. When substantial completion of a project is attained (assessed semi-annually), capitalization of financing charges during construction ceases.

Depreciable tangible capital assets under construction are not amortized until the assets are available for use. The cost, less residual value of the assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Useful life
Marine transportation equipment - vessels and docks	25 years
Completed highway infrastructure - surfacing, safety improvements, and equipment	15 years
Completed highway infrastructure - all other infrastructure (excluding land)	40 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to BCTFA's ability to provide services to the public, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Pre-project planning costs are expensed. Work-in-progress project costs are written off in the year it is determined no tangible asset will result.

l) Revenue recognition:

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

See note 2(i) for recognition of restricted capital contributions from governments and partners.

m) Expense recognition:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Transfers include entitlements, grants and transfers under shared cost agreements. Grants and transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

2. Significant accounting policies (continued):

n) Foreign currency translation:

Revenue and expenditure transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rate at the time of the transaction. Any foreign currency adjustments resulting from the translation are recorded in the consolidated statement of operations at the time of occurrence.

Financial assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the year-end date. Any resulting currency fluctuations are deferred and amortized in the consolidated statement of operations over the remaining life of the related assets or liabilities.

o) Measurement uncertainty:

The presentation of the consolidated financial statements in conformity with PSA standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements; and the reported amounts of revenues and expenses during the year. Items requiring the use of significant estimates include the useful life of capital assets, rates for amortization, impairment of assets, and liability for contaminated sites.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from amounts estimated. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

p) Future accounting policies:

PSAB recently approved section PS 1201 - Financial Statement Presentation, section PS 2601 - Foreign Currency Translation, section PS 3041 - Portfolio Investments, section PS 3410 - Government Transfers, section PS 3450 - Financial Instruments, and section PS 3510 - Tax Revenue. These new standards will be effective for fiscal periods beginning on or after April 1, 2012 for government organizations and sections PS 1201, PS 2601, PS 3041 and PS 3450 must be adopted in the same fiscal year. Early adoption of these standards is permitted.

BCTFA will assess and evaluate the new standards and the changes required to comply with PSAB direction.

3. Cash and cash equivalents:

Cash and cash equivalents consist of deposits with banks and investments in money market instruments which are redeemable within a day's notice.

($ 000s)	2012	2011
Cash	2,260	2,723
Cash equivalents	47,375	79,472
	49,635	82,195

Cash and cash equivalents consist of funds that are for the following purposes:

- $6.7 million (2011 - $6.1 million) is funding received from road users for the Sierra YoYo Desan Road Transition Agreement between BCTFA and the Ministry of Energy and Mines.
- $22.9 million (2011 - $59.9 million) is advance payment from federal government for contributions to various capital projects.

4. Due from provincial government / provincial government organizations:

Due from the provincial government / provincial government organizations consists of the following:

- $55.3 million (2011 - $54.6 million) is fuel tax and grant revenue due from the Province.
- $1.6 million (2011 - $3.7 million) is payment due from the Transportation Investment Corporation (TI Corp) for a licence to use and occupy certain BCTFA's lands for the purpose of fulfilling the terms under the Port Mann Highway 1 Bridge Project Concession Agreement.

($ 000s)	2012	2011
Province of British Columbia	55,330	54,562
Transportation Investment Corporation	1,556	3,741
	56,886	58,303

5. Accounts receivable:

Accounts receivable consists of mainly ordinary trade receivables from partners in economic development projects.

($ 000s)	2012	2011
HST rebate from federal government	135	-
Other trade receivables	4,535	4,808
	4,670	4,808

6. Investment in government business enterprise:

Effective April 1, 2010, the shares of BCRC were transferred from the Province to BCTFA, resulting in the BCRC becoming a wholly-owned subsidiary of BCTFA. BCRC continues to operate as a separate self-supported Crown corporation and retains its legal and legislative authorities and agreements. BCRC changed its fiscal year from December 31 to March 31 after the share transfer.

BCRC adopted the International Financial Reporting Standards (IFRS) as the basis for preparing its financial statements for the years ended March 31, 2011 and March 31, 2012. As a result, BCRC restated its financial results for prior years and the impact of this conversion on BCTFA is presented in note 18.

A summary of BCRC's financial information for fiscal 2011 and 2012 can be found in Schedule A.

7. Other financial assets:

($ 000s)	2012	2011
Equity investments	40	63
Properties held for sale	15	822
	55	885

Equity investments are investments in shares of the Ballard Power Systems Inc. under the Ballard Power Systems Inc. and the Province of British Columbia Fuel Cell Program Agreement, BCTFA holds 28,250 shares of Ballard Power Systems Inc. with a market value of $39,832 at March 31, 2012 (2011 - $62,715).

Properties held for sale are surplus properties that are not anticipated to be used for future highway purposes and have met all criteria in note 2(e).

8. Sinking funds:

To ensure future debt obligations are met, BCTFA makes periodic payments into sinking funds which are used to retire related long-term debt at maturity. The British Columbia Investment Management Corporation (bcIMC) manages BCTFA's sinking fund portfolios, which consist of investments in Canadian provincial government and Crown corporation bonds. Sinking fund payments are calculated based on an annual expected rate of return of 5%. bcIMC assesses the reasonableness of the annual rate of return periodically and if necessary, makes adjustments to the contribution levels.

For the year ended March 31, 2012, BCTFA contributed $178.8 million (2011 - $128.1 million) to its sinking fund portfolios. The market value of BCTFA's sinking fund portfolios is $1.192 billion (2011 - $856.4 million) maturing at various dates to 2050. The average return for the year is approximately 6.3% (2011 - 5.4%).

9. Due to provincial government / provincial government organizations:

The $195.0 million (2011 - $118.8 million) due to provincial government / provincial government organizations is mainly capital project payments and accruals due to the Province.

10. Accounts payable and accrued liabilities:

($ 000s)	2012	2011
Interest payable	67,167	62,399
HST remittance to federal government	-	405
Other trade payables and accrued liabilities	62,747	40,047
	129,914	102,851

11. Debt:

For the year ended March 31, 2012, BCTFA acquired $975 million (2011 - $812 million) of new short-term and long-term debt. During the fiscal year, $300 million (2011 - $100 million) of long-term debt matured. Upon maturity, the debt was refinanced and its related sinking fund, in the amount of $194 million (2011 - $59 million) was transferred to a new debt issue.

Debt ($000s)	Year of maturity	Canadian currency debt	(Canadian equivalent) Foreign currency debt [1]	2012 Canadian $ total	2011 Canadian $ total
Short-term promissory notes.....	2012	-	-	-	301,783
	2013	335,007	-	335,007	-
long-term bonds......................	2012	-	-	-	299,969
	2013	-	-	-	-
	2014	-	38,765	38,765	37,706
	2015	-	-	-	-
	2016	-	299,730	299,730	291,540
	2017	-	-	-	-
	2018 - 2022	1,785,814	50,490	1,836,304	1,094,350
	2023 - 2027	456,326	-	456,326	456,326
	2028 - 2032	1,210,000	-	1,210,000	1,210,000
	2033 - 2037	21,490	-	21,490	21,490
	2038 - 2042	1,343,526	-	1,343,526	1,343,526
	2043 - 2047	750,000	-	750,000	550,000
	2048 - 2052	92,000	-	92,000	92,000
Total debt issued		5,994,163	388,985	6,383,148	5,698,690
Unamortized premium				4,621	5,818
Unamortized foreign exchange gain on debt				2,852	18,492
				6,390,621	5,723,000
The effective interest rates of the above debt as at March 31 range between:				0.81% - 7.98%	0.95% - 7.98%

[1] As at March 31, 2012, BCTFA has three US currency denominated debt outstanding with a total value of US $389.3 million.

11. Debt (continued):

Aggregate payments for the next five fiscal years and thereafter to meet sinking fund installments and retirement provisions on debt are:

($ 000s)	Sinking fund installment	Debt retirement
2013	217,126	335,007
2014	217,126	60,024
2015	213,436	-
2016	213,436	300,000
2017	169,998	-
Thereafter	1,390,407	5,709,156

As at March 31, 2012, BCTFA has $1,033 million of sinking fund available for debt retirement with a gross value of $5,128 million.

The Minister of Finance is the fiscal agent of BCTFA. Debt acquired through the provincial government's fiscal agency loan program carries a provincial guarantee. Pursuant to section 38(1) of the *Transportation Act*, BCTFA may borrow the sums of money considered necessary to carry out its mandate. Each year, BCTFA submits its borrowing plan to Treasury Board for approval.

12. Risk management and derivative financial instruments:

Through the Ministry of Finance, BCTFA borrows funds in both domestic and foreign capital markets to optimize its debt portfolio within specified risk parameters. As a result, BCTFA is exposed to risks associated to interest rate fluctuations, foreign exchange rate fluctuations and credit risk. BCTFA uses a variety of financial derivative instruments to mitigate exposure to interest rate and foreign exchange risks.

The following table presents maturity schedules of BCTFA's financial derivatives by type, outstanding at March 31, 2012, based on the notional amount of the contracts.

Year of maturity	Cross currency swaps Canadian equivalent ($ 000s)	Interest rate swaps ($ 000s)	Total ($ 000s)
2013	-	-	-
2014	60,024	60,024	120,048
2015	-	-	-
2016	300,000	300,000	600,000
2017	-	-	-
and thereafter	50,000	1,220,954	1,270,954
Total	410,024	1,580,978	1,991,002

12. Risk management and derivative financial instruments (continued):

a) Interest rate risk:

BCTFA is exposed to changes in interest rates of its variable-rate long-term debt. Based on BCTFA's target debt ratio policy, interest rate exposure for long-term debt is limited to a maximum of 40% of its debt portfolio. As at March 31, 2012, 28.4% of BCTFA's debt is variable-rate debt. A 0.25% change in interest rates will have a financial impact of $3.7 million (2011 - $3.7 million) to BCTFA's future net income and cash flow.

BCTFA regularly monitors the economic and interest rate conditions through the Ministry of Finance and may make recommendations, if necessary, to the Board to change its target debt structure in order to manage its financial resources effectively.

b) Foreign exchange risk:

BCTFA's foreign exchange risk exposure is limited due to the fact that its primary business activities are conducted in Canada using Canadian currency. BCTFA's risk management policy is to mitigate foreign exchange risk. When a Canadian dollar denominated debt is not available or is not at the best interest of the entity, BCTFA will borrow funds in other currencies and will immediately enter into cross-currency swaps to offset the currency risk.

As at March 31, 2012, BCTFA has three foreign currency denominated debt issues outstanding and the related foreign exchange risk is fully offset by three cross-currency swaps with a total value of $410 million (US $389 million).

c) Credit risk:

Credit risk is the risk that BCTFA will incur financial loss due to a counterparty defaulting on its financial obligation to BCTFA. In accordance with the government's policy guidelines, the Province reduces its credit risk by dealing with only highly rated counterparties. In 2010, the Province adopted a new guideline that it only enters into derivative transactions with counterparties that have a rating from Standard & Poor's and Moody's Investors Service Inc. of at least A+/A1 (Previously, the Province's guideline allowed the Province to enter into derivative transactions with counterparties that had a rating of AA-/Aa3). The Province also establishes limits on individual counterparty credit exposures and monitors these exposures on a regular basis. Since the Province is BCTFA's borrowing agent, all derivative contracts BCTFA enters are in accordance with government's policy guidelines, therefore reducing BCTFA's exposure to credit risk.

Other than credit risks arising from the use of financial derivative instruments, BCTFA has limited exposure to other credit risks as it mainly conducts business with the Province and other levels of government / government entities.

13. Public-private partnership obligations:

BCTFA has four multiple-year public-private partnership contracts to design, build, finance and operate certain transportation infrastructure. The information presented below shows the capital obligations of BCTFA under these contracts and payments for the operating components of these contracts are disclosed in note 19.

Project	Interest rate (%)	Contract term (Years)	Capital obligations 2012 ($ 000s)	Capital obligations 2011 ($ 000s)
Sea-to-Sky Highway	7.52	25	520,530	533,698
William R. Bennett Bridge	7.88	30	175,666	178,215
Kicking Horse Canyon Park (10-Mile) Bridge (net of federal recoveries)	7.40	25	69,691	71,391
South Fraser Perimeter Road (net of federal recoveries)	8.81	20	124,208	54,258
			890,095	837,562

14. Deferred capital contributions:

($ 000s)	Opening balance	Net additions	Amortization	Closing balance
Provincial government	1,559,907	-	(115,259)	1,444,648
Federal government	950,543	133,294	(14,493)	1,069,344
Municipal government	41,668	12,447	(989)	53,126
Other partners	30,421	9,886	(1,103)	39,204
	2,582,539	155,627	(131,844)	2,606,322

Additions to federal deferred capital contributions for this fiscal was $138.1 million (2011 - $332.2 million). During the fiscal, $4.8 million (2011 - $16.9 million) of those contributions were transferred to federal sponsored projects delivered by other entities.

15. Deferred revenue:

($ 000s)	Opening balance	Additions	Amortization	Closing balance
British Columbia Ferry Services Inc. terminal lease	63,876	-	(1,228)	62,648
Port Mann Highway 1 Bridge Project land licence	116,915	9,522	-	126,437
Other deferred revenue	-	22	-	22
	180,791	9,544	(1,228)	189,107

The *Coastal Ferry Act* enacted on March 26, 2003, provided for the restructuring of the British Columbia Ferry Services Inc. (BC Ferries) - formerly named British Columbia Ferry Corporation. In April, 2003 the Province retained ownership of the ferry terminal lands by having BCTFA purchase them from BC Ferries at fair value and subsequently leased these assets back to BC Ferries for a term of 60 years. BC Ferries prepaid this lease obligation, and the revenue is being amortized on a straight line basis over 60 years.

BCTFA and the Transportation Investment Corporation (TI Corp) entered into a land licensing agreement on March 15, 2010 which provides TI Corp the right to use and occupy certain BCTFA's lands to fulfil TI Corp's obligations under the Port Mann Highway 1 Bridge Project Concession Agreement. The term of the agreement commences on December 31, 2012 and terminates on March 14, 2090. TI Corp agreed to prepay all costs incurred for land purchased under the licensing agreement and BCTFA will amortize the prepaid land right on a straight line basis over approximately 78 years.

16. Tangible capital assets:

BCTFA's mandate is to acquire, construct, hold and improve transportation infrastructure and is obligated to take full responsibility for providing services to the general public by holding and improving the infrastructure over their useful lives. All BCTFA's tangible capital assets are subject to the above restrictions. Changes to the use of the assets or disposal require the provincial government's approval.

Cost ($ 000s)	Land	Work in progress	Completed infrastructure	Marine transportation equipment	Asset under capital lease	2012 Total
Opening balance	1,568,124	1,031,681	10,462,312	28,976	-	13,091,093
Additions	77,998	842,790	-	-	-	920,788
Disposals	(3,010)	(39,899)	(203)	-	-	(43,112)
Transfer [1]	807	(809,155)	809,155	-	-	807
Closing balance	1,643,919	1,025,417	11,271,264	28,976	-	13,969,576
Accumulated amortization						
Opening balance	-	-	(3,427,275)	(6,935)	-	(3,434,210)
Amortization	-	-	(392,889)	(1,657)	-	(394,546)
Disposals	-	-	112	-	-	112
Transfer	-	-	-	-	-	-
Closing balance	-	-	(3,820,052)	(8,592)	-	(3,828,644)
Net book value	1,643,919	1,025,417	7,451,212	20,384	-	10,140,932

[1] Land actively marketed for sale within the next 12 months from the date of these financial statements is reclassified under Other financial assets - Properties held for sale.

Cost ($ 000s)	Land	Work in progress	Completed infrastructure	Marine transportation equipment	Asset under capital lease	2011 Total
Opening balance	1,442,372	565,691	10,010,233	22,269	6,338	12,046,903
Additions	132,212	953,199	-	-	369	1,085,780
Disposals	(5,638)	(33,939)	(1,191)	-	-	(40,768)
Transfer [1]	(822)	(453,270)	453,270	6,707	(6,707)	(822)
Closing balance	1,568,124	1,031,681	10,462,312	28,976	-	13,091,093
Accumulated amortization						
Opening balance	-	-	(3,043,006)	(4,465)	(813)	(3,048,284)
Amortization	-	-	(384,886)	(1,657)	-	(386,543)
Disposals	-	-	617	-	-	617
Transfer	-	-	-	(813)	813	-
Closing balance	-	-	(3,427,275)	(6,935)	-	(3,434,210)
Net book value	1,568,124	1,031,681	7,035,037	22,041	-	9,656,883

[1] Land actively marketed for sale within the next 12 months from the date of these financial statements is reclassified under Other financial assets - Properties held for sale.

16. Tangible capital assets (continued):

Under the Port Mann Highway 1 Bridge Concession Agreement among TI Corp, BCTFA and the Province, TI Corp is responsible for decommissioning of the existing Port Mann Bridge after the new bridge is in service. BCTFA has accelerated the amortization of the existing bridge based on the estimated completion date of the new bridge.

17. Other non-financial assets:

Other non-financial assets are deferred debt issued costs. These costs are deferred and amortized using the effective interest rate method over the term of the related debt.

18. Accumulated surplus:

($ 000s)	2012	2011
Accumulated surplus before other comprehensive income at beginning of year previously reported	1,252,691	1,249,744
Shares of government business enterprise transferred from the Province	-	252,520
Effect of government business enterprise transition to IFRS	-	55,969
Accumulated surplus before other comprehensive income at beginning of year restated	1,252,691	1,558,233
Payment to the Province by government business enterprise	(15,000)	(173,000)
Deficit for the year	(151,059)	(132,542)
Accumulated surplus before other comprehensive income at end of year	1,086,632	1,252,691
Accumulated other comprehensive income at beginning of year previously reported	(2,002)	-
Effect of government business enterprise transition to IFRS	-	(400)
Accumulated other comprehensive income from government business enterprise at beginning of year restated	(2,002)	(400)
Other comprehensive loss from government business enterprise	(3,833)	(1,602)
Accumulated other comprehensive income from government business enterprise at end of year	(5,835)	(2,002)
Accumulated surplus at end of year	1,080,797	1,250,689

19. Contractual obligations:

Information presented below under public-private partnerships is part of the anticipated cash outflow of BCTFA's future obligations to private sector concessionaires who financed, built and operate certain transportation infrastructure. These obligations are payments for the operating components of the contracts and capital obligations of these contracts are disclosed in note 13. Payments to concessionaires are contingent on specified performance criteria and include an estimation of inflation as per the concession agreements.

($ millions)	Contract end date	2013	2014	2015	2016	2017	Future payments
Public-private partnerships:							
Sea-to-Sky Highway	2030	51.4	51.0	50.5	50.0	49.3	583.6
William R. Bennett Bridge	2035	17.5	17.4	17.3	17.1	16.9	249.4
Kicking Horse Canyon Park Bridge	2030	6.2	6.1	6.0	5.9	5.8	109.8
South Fraser Perimeter Road	2035	42.5	9.6	20.4	23.4	22.1	383.4
Canada Line performance payments	2040	19.3	19.3	19.3	19.3	19.3	442.5
Other commitments under the Provincial Transit Plan		21.0	1.4	0.9	-	-	-
Other commitments under the Transportation Investment Plan		353.9	126.3	20.1	9.6	-	-
		511.8	231.1	134.5	125.3	113.4	1,768.7

In addition to the commitments to public-private partnership projects and performance payments for the Canada Line, BCTFA has a number of multi-year contractual obligations for both the operating and capital components of the Transportation Investment Plan and the Provincial Transit Plan. Such future expenditures will be accounted for in the year the work or service is performed.

20. Contingent liabilities:

The nature of BCTFA's activities is such that there may be expropriation, construction and other claims pending. BCTFA reviews all potential claims on an annual basis and accrues estimated settlement expenses, based on historical settlement amounts and the likelihood of the future events, in accordance with PSA standards.

In 2012, contingent liabilities of $145 million (2011 - $102 million) remain after deducting the estimated settlement expenses currently accrued from gross claims outstanding for capital projects and $125 million (2011 - $91 million) of those liabilities is related to expropriation claims.

21. Dedicated taxes:

Under section 13 of the *Motor Fuel Tax Act*, BCTFA receives motor fuel tax of 6.75 cents per litre. Under section 26 of the *Social Services Tax Act*, BCTFA received social service tax of $1.50 per car rental day. On April 29, 2010, The *Consumption Tax Rebate and Transition Act* was enacted and the *Social Services Tax Act* was repealed. Effective July 1, 2010, BCTFA ceased to receive car rental tax from the Province.

In 2012, the Province introduced legislation to return to the Provincial Sales Tax on April 1, 2013. BCTFA will assess and evaluate the impact of this legislation on the entity.

($ 000s)	2012	2011
Tax revenue earned:		
Motor Fuel Tax Act	425,837	436,215
Social Services Tax Act	-	3,500
	425,837	439,715

22. Other operating revenues:

Other operating revenues consist of the following:

($ 000s)	2012	2011
Contributions from governments and partners	77,320	25,796
Net revenue from property sales	25,877	23,111
Rental and leases	3,014	4,422
Miscellaneous revenues	1,176	2,766
	107,387	56,095

23. Grant programs:

BCTFA provided grants to the following programs during the year:

($ 000s)	2012	2011
British Columbia Transit	12,893	18,366
South Coast British Columbia Transportation Authority (TransLink) - Canada Line	19,315	19,269
South Coast British Columbia Transportation Authority (TransLink) - Other projects	24,962	22,338
British Columbia Ferry Services Inc.	25,000	-
Cycling Infrastructure and other grants	8,717	3,349
	90,887	63,322

24. Asset disposal and write down:

($ 000s)	2012	2011
Write-down of capital assets	39,899	33,958
Asset transfers	114	748
	40,013	34,706

BCTFA reviews the future service potential of its tangible capital assets annually. Assets no longer able to provide services to the general public in future are written-off. In addition, consistent with government policy, public-private partnership project planning costs incurred prior to the start of the preparation of a request for proposal are written off.

With approval from the provincial government, assets are transferred to local governments when there is a change in local government structure.

25. Other operating expenses:

Other operating expenses consist of the following:

($ 000s)	2012	2011
General and administrative expenses	6,181	5,093
Highway rehabilitation and contract management expenses	4,389	3,107
Land sale program expenditures	4,234	3,562
Environmental enhancement initiatives	2,811	5,869
Rental and leases	766	541
Other operating expenses	1,865	2,905
	20,246	21,077

26. Debt servicing costs:

($ 000s)	2012	2011
Interest on debt and public-private partnership obligations	310,215	281,110
Interest capitalized	(16,065)	(12,932)
	294,150	268,178
Amortization of premium, discounts and deferred debt issued costs	(2,865)	(5,569)
	291,285	262,609

In 2012, interest incurred in connection with public-private partnership projects was $65.0 million (2011 - $60.4 million) and $7.6 million (2011 - $1.8 million) was capitalized.

27. Budget:

The budget numbers on the consolidated statement of operations are taken from the Ministry of Transportation and Infrastructure 2011/12 - 2013/14 Service Plan.

28. Related party transactions:

BCTFA is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations and all public sector organizations that are included in the provincial government reporting entity. BCTFA and the Ministry of Transportation and Infrastructure (the "Ministry") signed a Memorandum of Understanding that the Ministry will undertake the delivery of all infrastructure projects on behalf of BCTFA. BCTFA will reimburse the Ministry for all costs incurred for delivery of the projects.

29. Comparative change:

Certain prior year's figures have been restated to conform to current year's presentation.

Government business enterprise condensed supplementary financial information

Consolidated Financial Statements of British Columbia Railway Company

Statement of Financial Position ($ 000s) **As at March 31**	2012	(Re-stated) 2011
Financial assets		
Cash and cash equivalents	140,856	153,371
Accounts receivable	94,556	79,551
Materials and other items	766	626
Employee future benefits	-	2,133
	236,178	235,681
Liabilities		
Accounts payable and accrued liabilities	185,306	154,082
Employee future obligations	1,963	-
Deferred revenue	33,711	33,776
	220,980	187,858
Net debt	15,198	47,823
Non-financial assets		
Investment property	126,636	99,192
Property and equipment	13	84
	126,649	99,276
Accumulated surplus	141,847	147,099

Statement of Operations($ 000s) **For the year ended March 31**	2012	(Re-stated) 2011
Revenue	29,543	28,237
Expenses	15,962	14,625
Annual surplus	13,581	13,612
Other comprehensive loss	(3,833)	(1,602)
Total comprehensive income	9,748	12,010